

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 SSO-00 L-03 EB-11 DRC-01 RSC-01 NEAE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8155

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E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: RUPEES: FBO AND TRANSITION ACCOUNT

REF: STATE 232098

1. IT MAY BE USEFUL TO BEGIN WITH A DESCRIPTION OF THE PURPOSES OF THE TRANSITION ACCOUNT AS WE HAVE DISCUSSED IT WITH THE INDIANS THROUGHOUT THE NEGOTIATIONS. THE PURPOSE OF THIS ACCOUNT WAS TWOFOLD: 1) TO PROVIDE CONTINUED PL-480 RUPEE FINANCING FOR ALL EMBASSY PROGRAMS (INCLUDING FBO) FOR THE TIME BETWEEN THE SIGNING/EFFECTIVE DATE AND THE COMMENCEMENT OF FY 75 AND 2) TO SET ASIDE PL-480 RUPEE FINANCING FOR ANY OUTSTANDING OBLIGATIONS OF THE USG WHICH WERE ENTERED INTO PRIOR TO INITIALING, WHICH COULD NOT BE DISCHARGED PRIOR TO THE SIGNING/EFFECTIVE DATE, WHETHER OR NOT THEY ARE COMPLETELY DISCHARGED BEFORE JUNE 30, 1974.

2. AS WE UNDERSTAND IT, FBO IS SUGGESTING WE OBTAIN GOI AGREEMENT FOR ADDITIONAL RUPEES TO COVER MAINTENANCE/OPERATION OF THE EMBASSY FOR AN ADDITIONAL FISCAL YEAR (ABOUT \$1 MILLION). IN FY 1976 AND LATER FBO WOULD PROPOSE TO MOVE TO NON-PL-480 RUPEE OR DOLLAR FINANCING. IT ALSO ASKED FOR FUNDS FOR CONSTRUCTION PROJECTS SOME OF WHICH HAVE NOT YET BEEN COMMENCED AND

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ARE SEVERAL YEARS AWAY (\$10 MILLION).

3. WE DO NOT BELIEVE WE SHOULD AND DO NOT BELIEVE IT IS NECESSARY TO ASK FOR ADDITIONAL FUNDS IN THE TRANSITION ACCOUNT FOR FY 1975. FIRST OF ALL, AS NOTED ABOVE, A KEY POINT DURING THE ENTIRE NEGOTIATIONS HAS BEEN THAT WE WOULD BEGIN TO UTILIZE OUR RETAINED RUPEES IN FY 1975 AND ALL OTHER AGENCIES, INCLUDING THE REST OF STATE, HAVE AGREED TO DO SO. WE RECOGNIZE THE UNIQUE DIFFICULTY OF FBO DUE TO ITS PECULIAR LEGISLATIVE HISTORY AND THE DIFFICULTY OF SEEKING AMENDMENT TO ITS LEGISLATION IN THE NEXT FEW MONTHS. HOWEVER, WE WILL HAVE AVAILABLE TO US IN FY 1975 ABOUT \$5.1 MILLION IN COOLEY LOAN REFLows (PL-480 RUPEES) ABOVE AND BEYOND THOSE REQUIRED FOR CONVERSIONS AND NEPAL AID.

WHILE THERE WILL BE OTHER CONTENDERS FOR THESE FUNDS FBO EXPENDITURES, WHICH WE ESTIMATE AT UNDER \$700,000, COULD PROBABLY BE ABSORBED IN THIS. IN THE FOLLOWING TWO FISCAL YEARS WE SHALL HAVE \$3.9 MILLION AND \$3.4 MILLION, RESPECTIVELY, AVAILABLE.

4. WITH RESPECT TO FBO CAPITAL PROJECTS WE HAVE MADE IT CLEAR THAT WE NEED TO RETAIN FUNDS IN THE TRANSITION ACCOUNT SUFFICIENT TO COVER UNDISBURSED COSTS FOR PROJECTS ALREADY UNDERWAY. THUS WE PLAN TO INCLUDE FUNDS FOR THE TWO CALCUTTA PROJECTS, THE POWER PLANTS AND OTHER EXISTING PROJECTS. WE DO NOT PLAN TO INCLUDE FUNDS FOR PROJECTS WHICH ARE LONG RANGE INTENTIONS SUCH AS MOST OF THE BOMBAY PROJECTS AND SOME OF THE DELHI HOUSING PROPOSALS.

5. IN LIGHT OF THE ABOVE, OUR RESTATEMENT OF THE FBO PROJECT FUNDING WHICH WE FEEL COULD BE INCLUDED IN THE TRANSITION ACCOUNT (AS WELL AS THE REASONS FOR DELETION), USING AS A BASE THE FBO LIST GIVEN TO FINN IN WASHINGTON, FOLLOWS:

MADRAS

1. CLAIMS (DELETE, HAS ALREADY BEEN PAID \$0
 2. ALTERNATION OF CGR (\$100,000 ESTIMATE APPEARS WAY HIGH) ?
- CALCUTTA

1. COMPLETE OB CONSTRUCTION (CONCUR) \$50,000
2. CONSTRUCT USIS OB/IC (CONCUR) \$1,200,000

BOMBAY

1. LAND ACQUISITION FOR SA-6 (DELETE FOR REASONS GIVEN ABOVE) \$0

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2. DESIGN OB, CG-R, SA-6 (CONCUR) \$100,000
3. CONSTRUCT OB (DELETE, SEE ABOVE) \$0
4. CONSTRUCT CGR (DELETE, SEE ABOVE) \$0
5. CONSTRUCT SA-6 (DELETE, SEE ABOVE) \$0

NEW DELHI

1. COMPLETE COMMUNITY FACILITY AND SA ALTERATIONS (ADJUSTMENT UPWARD BASED ON AUTHORIZATIONS/OBLIGATIONS) \$1,000,000
2. CONSTRUCT 12 SA UNITS (DELETE, SEE ABOVE) \$0

3. CONSTRUCT 12 MIDDLE GRADE OFFICER UNITS (DELETE, SEE ABOVE) \$0

ALL INDIA

1. PRIME POWER (REDUCED DUE TO PAYMENTS TO BE MADE PRIOR TO 3/1/74) ?

PROVISION FOR INFLATION, CONTINGENCIES (DELETE, SEE ABOVE) \$0

TOTAL -----

6. WE WISH TO STRESS THAT WE ARE FREE IN FUTURE YEARS TO UTILIZE OUR RETAINED PL-480 RUPEES FOR ANY PROJECTS NOT INCLUDED IN THE TRANSITION ACCOUNT AND, HOPEFULL, WHEN FBO LEGISLATION IS AMENDED TO USE NON-PL-480 RUPEES. WE ARE TAKING THE SAME POSITION WITH RESPECT TO AID, I.E., ONLY VARIOUS GRANT PROJECTS WHERE FULL DISBURSEMENTS HAVE NOT YET BEEN MADE WILL BE FINANCED FROM THE TRANSITION ACCOUNT.

7. IN SUM, WE CONCUR WITH THE GENERAL STRATEGY THAT HUNT, BORN, FINN, AND FBO WORKED OUT. ESSENTIAL PROJECTS ALREADY COMMITTED OR UNDERWAY CAN BE CONVERED THROUGH "TRANSITION" FUNDS AS DESCRIBED ABOVE. MAINTENANCE COSTS FOR FISCAL 1975-- AND PERHAPS 76--COULD PROBABLY BE MET AT LEAST IN PART THROUGH COOLEY LOAN P.L. 480 REFLWS. LONG-RANGE FINANCING OF FBO ACTIVITY IN INDIA SHOULD BE MET THROUGH DOLLAR OR NON-PL-480 RUPEE APPROPRIATIONS. IN THAT CONNECTION, WE STRONGLY URGE THE DEPARTMENT TO SEEK AN AMENDMENT THAT WOULD PERMIT FBO TO RECEIVE AND SPEND A NON-PL 480 "SPECIAL FOREIGN CURRENCY APPROPRIATION" THAT WOULD GIVE IT, ALONG WITH THE REST OF THE USG, ACCESS TO THE VERY GREAT SUM OF RUPEES THAT WE ARE RETAINING FOR U.S. USES.

8. ACTION REQUESTED: WE WOULD APPRECIATE BASIS FOR MADRAS CONSUL GENERAL RESIDENCE ALTERATION ESTIMATE, AS WELL AS BREAKDOWN IN \$3,700,000 ESTIMATE FOR PRIME POWER PROJECT. THIS INFORMATION LIMITED OFFICIAL USE

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NEEDED BY OPENING OF BUSINESS DECEMBER 3, SINCE
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, RUPEE, EXCESS FOREIGN EXCHANGE, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 NOV 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE13979
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973112/aaaaabjc.tel
Line Count: 150
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: STATE 232098
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by shawdg>; APPROVED <11-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RUPEES: FBO AND TRANSITION ACCOUNT
TAGS: EFIN, IN, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005